

PUBLIC REPORT OF MARKET CONDUCT EXAMINATION

OF THE CLAIMS PRACTICES OF THE

**HUMANA INSURANCE COMPANY**

**NAIC # 73288 CDI # 2876-1**

**HUMANADENTAL INSURANCE COMPANY**

**NAIC # 70580 CDI # 2134-5**

AS OF MARCH 31, 2002

**STATE OF CALIFORNIA**



**DEPARTMENT OF INSURANCE**

**MARKET CONDUCT DIVISION**

**FIELD CLAIMS BUREAU**

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**DEPARTMENT OF INSURANCE**

Consumer Services and Market Conduct Branch  
Field Claims Bureau, 11th Floor  
300 South Spring Street  
Los Angeles, CA 90013



July 21, 2003

The Honorable John Garamendi  
Insurance Commissioner  
State of California  
45 Fremont Street  
San Francisco, California 94105

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, an examination was made of the claims practices and procedures in California of:

**Humana Insurance Company**

**NAIC #73288**

**HumanaDental Insurance Company**

**NAIC #70580**

Hereinafter referred to as the Companies.

This report is made available for public inspection and is published on the California Department of Insurance web site ([www.insurance.ca.gov](http://www.insurance.ca.gov)) pursuant to California Insurance Code section 12938.

## **SCOPE OF THE EXAMINATION**

The examination covered the claims handling practices of the aforementioned Companies during the period January 1, 2002 through December 31, 2002. The examination was made to discover, in general, if these and other operating procedures of the Companies conform with the contractual obligations in the policy forms, to provisions of the California Insurance Code (CIC), the California Code of Regulations (CCR), the California Vehicle Code (CVC) and case law. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

To accomplish the foregoing, the examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Companies for use in California including any documentation maintained by the Companies in support of positions or interpretations of fair claims settlement practices.
2. A review of the application of such guidelines, procedures, and forms, by means of an examination of claims files and related records.
3. A review of consumer complaints received by the California Department of Insurance (CDI) in the most recent year prior to the start of the examination.

The examination was conducted at the home office of Humana Insurance Company in DePere, Wisconsin.

The report is written in a “report by exception” format. The report does not present a comprehensive overview of the subject insurer’s practices. The report contains only a summary of pertinent information about the lines of business examined and details of the non-compliant or problematic activities or results that were discovered during the course of the examination along with the insurer’s proposals for correcting the deficiencies. When a violation is discovered that results in an underpayment to the claimant, the insurer corrects the underpayment and the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered, however, and failure to identify, comment on or criticize activities does not constitute acceptance of such activities.

Any alleged violations identified in this report and any criticisms of practices have not undergone a formal administrative or judicial process.

## CLAIMS SAMPLE REVIEWED AND OVERVIEW OF FINDINGS

The examiners reviewed files drawn from the category of Closed Claims for the period January 1, 2002 through December 31, 2002, commonly referred to as the “review period”. The examiners reviewed 141 Humana Insurance Company claims files and 30 HumanaDental Insurance claims files. The examiners cited 140 claims handling violations of the Fair Claims Settlement Practices Regulations and/or California Insurance Code Section 790.03 within the scope of this report. Further details with respect to the files reviewed and alleged violations are provided in the following tables and summaries.

<b>Humana Insurance Company</b>			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Group Health	127,255	68	71
Group Dental	108,770	53	55
Group Life	20	20	0
General			1
<b>TOTALS</b>	236,045	141	127

<b>HumanaDental Insurance Company</b>			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Group Dental	30,565	15	13
Group Life	15	15	0
<b>TOTALS</b>	30,580	30	13

<b>TABLE OF TOTAL CITATIONS</b>			
<b>Citation</b>	<b>Description</b>	<b>Humana Insurance Company</b>	<b>Humana-Dental Insurance Company</b>
CCR §2695.3(a)	The Company's claim file failed to contain all documents, notes, and work papers which pertain to the claim.	110	13
CCR §2695.7(b)(3)	The Company failed to include a statement in their claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance.	12	0
CCR §2695.11(b)	The Company failed to provide an explanation of benefits.	2	0
CCR §2695.7(b)(1)	The Company failed to provide written basis for the denial of the claim.	1	0
CCR §2695.5(b)	The Company failed to respond to communications within fifteen calendar days.	1	0
CCR §2695.6(b)(4)	The Company failed to maintain a copy of the certification required by CCR §2695.6(b) (1), (2) or (3) at the principal place of business.	1	0
<b>Total Citations</b>		127	13

## **SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS AND TOTAL RECOVERIES**

The following is a brief summary of the criticisms that were developed during the course of this examination related to the violations alleged in this report. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. In response to each criticism, the Company is required to identify remedial or corrective action that has been or will be taken to correct the deficiency. Regardless of the remedial actions taken or proposed by the Company, it is the Company's obligation to ensure that compliance is achieved. There were no recoveries discovered within the scope of this report.

**1. The Companies failed to properly document claim files.** In 123 instances, the Companies claim files failed to contain all documents, notes and work papers. The Department alleges these acts are in violation of CCR § 2695.3(a).

**Summary of Companies' Response:** The Companies acknowledge that their claim files did not contain the Explanation of Benefits needed in order to verify that the insured was given a proper explanation of the payment made. However, it is their contention that the standard claim files provided during the on-site portion of the examination reasonably reconstruct the events and dates of the events of each claim. As a result of the examination, the Companies will be initiating a procedure to retain a copy of the original EOB for seven years versus the current thirteen months. In addition, their new operation system that is currently being installed will have built-in functionality to reproduce a copy of the Explanation of Benefits. The migration plan has California medical claims scheduled for June 1, 2003 and California dental claims scheduled for calendar year 2005.

**2. The Companies failed to advise the claimant that he or she may have the claim denial reviewed by the California Department of Insurance.** In 12 instances, the Company failed to include a statement in their claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance. The Department alleges these acts are in violation of CCR §2695.7(b)(3).

**Summary of Companies' Response:** The Companies have acknowledged that the Explanation of Benefits used for denials did not contain the required language. As a result of the examination, the Companies updated their California Explanation of Benefits (Fully Insured Medical and Fully Insured Dental) on March 12, 2003 in order to comply with the law.

**3. The Companies failed to comply with the Fair Claims Settlement Practices Regulations.** In two instances, the Companies failed to comply with the following Fair Claims Settlement Practices Regulation: CCR §2695.11(b). In one instance each, the Company failed to comply with the following Fair Claims Settlement Practices Regulations: CCR §2695.7(b)(1), CCR §2695.5(b).

**Summary of Companies' Response:** The Companies have implemented monthly remedial training sessions for their staff in addition to maintaining an auditing process to assure

compliance with the Fair Claims Settlement Practices Regulations for each of the regulations cited.

**4. The Companies failed to maintain a copy of the certification required by CCR §2695.6(b)(1), (2) or (3) at the principal place of business.** In one instance, the Companies failed to maintain a copy of the certification required by § 2695.6(b)(1), (2) or (3) at the principal place of business. The Department alleges this act is in violation of CCR §2695.6(b)(4).

**Summary of Companies' Response:** The Companies have acknowledged that they failed to maintain a copy of the certification required by CCR §2695.6(b)(1), (2) or (3) at the principal place of business. All associates hired as a Claims Processing Specialist receive training on state regulation requirements as part of the Introduction to Claims Processing. During this Module, the associates are provided training regarding California Fair Claims Settlement Practices Regulations as required. As a result of the examination, all associates will certify, in writing, that he or she has read and understands these regulations. Certification for the calendar year 2003 will be completed by September 1, 2003.